



# TENNESSEE

## REAL ESTATE APPRAISER REPORT

REAL ESTATE APPRAISER COMMISSION  
TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

### Chairman's Report

by Bill Blackburn

The Tennessee Real Estate Appraiser Commission's mission is "to protect the public welfare by ensuring that only qualified persons are licensed or certified and that once licensed/certified, these persons uphold the highest appropriate professional standards of practice and competency." This Commission's goal is to protect the public and, in doing so, to assure that our licensees receive adequate training and knowledge to offer quality service to the citizens of our state. In order to produce these results, the Commission has developed some mechanisms and are reviewing other means by which we may assist in these efforts.

In February, the Commission met with instructors from across the state as a way of communicating information through them which may be forwarded on to licensees, trainees, and applicants. This will be a ongoing process, and we look forward to developing more uniformity in instruction of qualifying education.

A course evaluation form has been produced which we hope you will use. Please continue to submit your evaluations of courses which you have taken. This will assist the Commission in determining if there are courses or instructors which may require a more thorough review.

The Commission realizes the importance of licensees and trainees being familiar with all of the laws and rules. Discussions are ongoing regarding offering seminars for licensees and

registrants on those regulations. More information will be available in the future on this subject.

A rulemaking hearing was held in March. Several interested persons attended and offered comments. Rule changes will not be effective until later in the year and everyone will be notified of those changes prior to the effective date. The Commission will continue to examine the rules for clarity and, within the laws, make any changes which are necessary.

The Commission now has a web site available at "www.state.tn.us/commerce/treac." Please take an opportunity to review and submit any comments you may have to us. We will be adding materials from time to time to make you aware of any new information.

The Department of Commerce and Insurance is reviewing methods which will make the renewal process easier. Some changes which may be possible in the future are use of a credit card and on-line renewals.

Remember that all of the Commission meetings are open to the public. We hope to see you there!

### Commission meets with Educators

by Bobby Sain

The Tennessee Real Estate Appraiser Commission and staff met with various educators across the state in February in an open forum conference regarding education of trainees and interviews conducted by the commission. The commission and staff would like to express their appreciation for the large turnout of educators and the time they devoted from their busy schedules to attend the meeting. We would also like to especially thank Mr. Randy Button, past commission member and present appraiser/educator, for acting as a facilitator on behalf of the commission.



The purpose of the meeting was to initiate an open communication between the commission/staff and the educators across the state. It is our feeling that in order for appraisers and trainees to understand the responsibilities of the commission, we must do a better job in communicating with our educators. Our goal is to have a "partner relationship" with the educators, so they may pass on to their students, the expectations and responsibilities of the commission.

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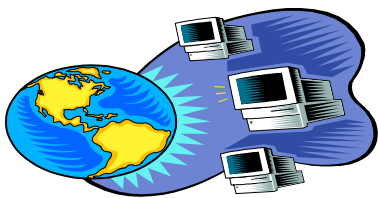
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While realizing there are many different techniques to teaching appraisal methods, it is the commission's goal that the appraisers be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal. Before a trainee is given the title of an appraiser, he or she must be able to understand and communicate to the commission these methods. The meeting helped the commission understand some of the concerns our educators are hearing from appraisers/trainees in coming before the commission. I also feel it helped our educators have a better understanding of what the commission is looking for so they can pass on information to the students to better prepare them for the interview before the commission.

We felt the meeting was very successful and the beginning of an unprecedented relationship between a real estate appraiser commission and appraisal educators within a state. We hope that, together, we can set an example for other states to mimic, and the final results will be a positive, more professional image of the appraisal industry within the State of Tennessee.

## Web Site



The Commission now has a Web Site available. The address is [www.state.tn.us/commerce/treac](http://www.state.tn.us/commerce/treac). On this site, you can locate:

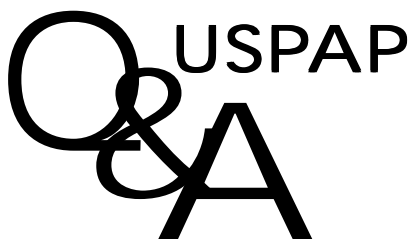
1. applications for licensure/certification and trainee registration,
2. temporary practice applications,
3. newsletters,
4. various forms,
5. rosters of licensees and courses,
6. access to related sites, etc.

Please take the time to review this site, and let us know what you think.

## Approved Course List

On the web site, there is a listing of courses which have been approved. The course providers are listed alphabetically and the courses are itemized in order of original approval. Information is provided on whether the course is approved for only continuing education or for both continuing and qualifying. You must check the beginning and ending dates to be certain the course is approved for the time it is taken.

Courses which are taken and not located on the approved list within the appropriate dates will require individual course approval. The form is located on the web site under "Education."



At the present time, the Commission will continue to print the questions and answers published by the Appraisal Standards Board. It is important to note that this information is also available on their web site, [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

*This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to state and territory appraisal regulators to inform all states and territories of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniformed Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems. The ASB USPAP Q&A do not constitute a legal opinion of the ASB.*

### Question:

I serve on my state's real estate appraiser board disciplinary committee. Recently, we received a

complaint about an appraiser who had done an appraisal for an out-of-state investor. The appraiser did not inspect the interior of the subject property and his appraisal report did not include specific information about how he confirmed the comparable sales. In fact, his summary appraisal report was only 5 pages long! Worst of all, we have learned that the appraiser received a fee of \$10,000 for this so-called "appraisal." Can the ASB provide us with specific citations from USPAP so we can put an end to this kind of practice?

### Answer:

Please note that the ASB does not have the power or authority to enforce USPAP. Further, state and federal laws, which sometimes contradict the content of USPAP, usually take precedence over USPAP. In addition, the ASB does not have adequate information about the situation you describe to comment on its specifics. In general, however, none of the facts you present, in and of themselves, necessarily evidence violations of USPAP.

The following comments should not be taken as an indication that what the appraiser did was appropriate or inappropriate. The judgement as to whether the assignment was completed in compliance with USPAP can only be made within the context of the appraisal's purpose and intended use, considering whether the appraisal report's intended users would understand the rationale for the appraiser's opinions and conclusions.

While the appraiser's client is an "out-of-state investor," it is possible that this client is fully familiar with the type and location of the real estate under study. If an appraiser has properly identified the client, intended users and intended use for an appraisal, as required by Standards Rule 1-2 (a) and (b) and Statement 9, he can then determine the level of information to provide in the appraisal report.

USPAP does not require that an appraiser always inspect a property. Rather, Standards Rule 1-2 (e) states, in part, that an appraiser must:

*Identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal, including*

- (i) its location and physical, legal, and economic attributes ...

The Comment to Standards Rule 1-2 (e) goes on to describe what an appraiser must do if information about subject property necessary to complete the appraisal, in accordance with its purpose and intended use, is not available. The Comment does not require that the appraiser decline the appraisal assignment.

USPAP also includes no specific requirements for the verification and reporting of comparable sales data. Standards Rule 1-2 (f) requires that an appraiser “identify the scope of work necessary to complete the assignment,” consistent both with the market’s expectations for such appraisal service and what the appraiser’s peers would do in a similar situation. Standards Rule 1-1 (b) requires that an appraiser

*... be certain that the gathering of factual information is conducted in a manner that is sufficiently diligent, given the scope of work as identified according to Standards Rule 1-2 (f), to ensure that the data that would have a material or significant effect on the resulting opinions or conclusions are identified and, where necessary, analyzed.*

It is essential that the appraiser and client understand that what is “sufficiently diligent” in an assignment is shaped by the purpose, intended use, and intended users in that assignment. The appraiser must have sound reasons in support of the scope-of-work decision, and must be prepared to support the decision to exclude any information that would appear to be relevant to the client, other intended users or the appraiser’s peers in the same or a similar assignment. In reporting relevant information, Standards Rule 2-2 (b) (ix) requires only that, in a Summary Appraisal Report an appraiser “summarize the information analyzed ...” in sufficient detail for the client and other intended users to understand the rationale for appraiser’s opinions and conclusions.

Standards Rule 2-2 (b) does not, nor does any other part of USPAP, specify how long an appraisal report must be. As long as the report’s content is consistent with its intended use and includes all the elements required by USPAP for its specified report type, the report can be of any length.

USPAP addresses appraisal fees only to the extent of prohibiting appraisers from charging fees that are contingent on

predetermined values, directions in value, amounts of value, attainment of stipulated results or the occurrence of events directly related to value opinions. (See the Management Section of the Ethics Rule.) Beyond those limitations, an appraisal fee to appear “high” or “low” to someone unfamiliar with the circumstances of a particular appraisal assignment: the amount of a fee alone is not an indicator of any ethical or practical misconduct.

In summary, it is essential that an appraisal be judged within the context of its identified purpose, intended use and intended users, as stated in the appraisal report. In nearly all cases, enforcement authorities are not intended users of appraisals, so enforcement investigators should use extra care in understanding the circumstances under which an appraisal has been developed and reported.

#### **Question:**

I am a real estate investor who owns a small retail building in the city where I was born and raised. Though I now live in another state, my parents still live in that city and I visit them often. I recently asked an appraiser in that city to appraise my retail building so I can do some estate planning. I’m very knowledgeable about my building and its operation, and I’ve had other similar investments over the years. I told the appraiser that I don’t need a big dissertation about my property and that I’m just interested in a rough opinion of its value for planning purposes. But, the appraiser told me that he couldn’t do that kind of work because his professional standards won’t allow him. He said he must do “all three approaches” and present his work in a report of more than 100 pages. Why does this appraiser have to do something that I don’t need and don’t want to pay for?

#### **Answer:**

The Uniform Standards of Professional Appraisal Practice (USPAP) are intended to “... promote and maintain a high level of public trust in professional appraisal practice.” USPAP does not specify which kinds of appraisal assignments appraisers may undertake. The standards were developed to allow appraisers to provide a wide variety of appraisal services, for many different types of clients with many different needs.

Under USPAP’s Ethics Rule, Conduct Section, an appraiser must “... perform assignments ethically and competently...”, “with impartiality, objectivity, and independence, and without accommodation of personal interests.” Competent practice requires that, in any assignment, an appraiser identify “intended use”:

*The use or uses of an appraiser’s reported appraisal, consulting, or review opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.*

Implicit within this definition is the idea that intended uses may vary. Having identified “intended use,” an appraiser must then identify the appropriate “scope of work”:

*The amount and type of information researched and the analysis applied in an assignment ...*

Thus, an appraiser has significant latitude in the amount of work necessary to complete an assignment, depending on the purpose of that assignment, the assignment’s intended use, and the need to ensure that any intended user is not misled. USPAP does not require appraisers to always perform the same amount of research and analysis to develop a value opinion, nor does USPAP require to always present assignment results in finely-detailed reports.

An appraiser who declines an assignment because he believes USPAP always requires the greatest level of development and reporting necessary does not have a complete understanding of his professional standards. USPAP is designed is to provide appraisers significant flexibility and should not, alone, prevent appraisers from doing work that is “outside the norm.” Nonetheless, every appraiser is responsible for deciding which assignments to accept and which to decline. An appraiser who declines an assignment because he is not comfortable with its conditions is applying the ethical judgement and competence required by USPAP.

#### **Question:**

Recently a reviewer downgraded an appraisal I completed on an existing single family residence property. The improvements were over 20 years old and, like many others in the market area, had been remodeled, repaired, and updated/upgraded over the years. I had

several current sales of very similar properties to use as comparables, all with sale prices (unadjusted) within an eight percent price range. I could not find any sales of open sites in the mature and stable tract setting of the subject, or any sales of homes that had not been significantly altered from the original builder's plans.

The purpose of the assignment was to develop an opinion of market value. My value opinion was based on a sales comparison analysis. I did not complete a cost approach and reported the appraisal as a "Complete Appraisal." I stated that due to a lack of a reliable basis for identifying a site value and market-extracted depreciation, the result of completing a cost approach would not be meaningful as an independent approach was not applicable.

The appraisal review report stated that since a cost approach would address factors and conditions that were present in the appraisal (i.e., the improvements), the absence of a cost approach made my appraisal a "Limited Appraisal" and not a "Complete Appraisal."

Was I wrong in calling the appraisal "Complete" in this situation?

**Answer:**

The Comment to the DEPARTURE RULE states:

A specific requirement is *not applicable* when:

- It addresses factors or conditions that are not present in the given assignment, or
- It addresses analysis that is typical practice in such an assignment, or
- It addresses analysis that would not provide meaningful results in the given assignment.

In the situation you describe, omitting a cost approach would not make the appraisal "Limited" because omitting the cost approach in those circumstances would not be a departure from the specific requirements set forth in Standards Rule 1-4(b). Due to the lack of reliable ways to develop an opinion of site value [SR 1-4(b)(i)] or estimate accrued depreciation [SR 1-4(b)(iii)] in this situation, completing a cost approach would not provide a meaningful result.

Although omitting a cost approach under the circumstances you described would not be a departure from the

specific requirements in USPAP, it is important to note that if a client's supplemental standards required a cost approach, and that supplemental requirement was a part of the assignment, you would be obligated to complete a cost approach. However, you would not be obligated to place reliance on its result as an indicator or market value because of the data deficiency.

**Question:**

I was told that the ASB adopted a change in part of the language in the Comment to Standards Rule 1-2(f), having to do with "third party" or something like that. Can you tell me what and why?

**Answer:**

The change that was adopted is as shown in the June 25, 1999 exposure draft Part E, Standards Rule 7-2(f).

**Comment:**

An appraiser must have sound reasons in support of the scope-of-work decision, and be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user, or the appraiser's peer's in the same or a similar assignment ~~a third party~~.

The text with double underlines was added, in place of the text that has been stricken-out. The adopted text will appear in the 2000 edition of USPAP.

This change was prompted by a need to be explicit about who had reason to question the appraiser's scope-of-work decision. The phrase "third party" was being used in some cases to suggest anyone with a different point of view could challenge the appraiser's scope-of-work decision. The adopted language sets a framework that includes the client, an intended user of the appraiser's assignment results, or the appraiser's peers, all in the context of the same or a similar assignment.

An example of who might be included as the appraiser's peers is provided in Statement on Appraisal Standard No. 7 (SMT-7), quoted here for convenience:

"Appraiser's peers" are other competent, qualified appraisers who

have expertise in similar types of assignments involving similar types of properties.

**Question:**

Our local community public works department has declared a parcel of land surplus and asked me to appraise the real property at market value with a date of appraisal prior to its advertisement for sale. However, the Public Works Director said there will be a covenant placed on the land immediately prior to the sale that will restrict its use to open space or recreation and the value in my appraisal is to reflect that title condition. Currently, the property is in use by the public works department and does not have such limitation.

Since I know the "as is" condition of the property title is not as the Director described it, can I do the appraisal as if the covenant was in place?

If so, it appears that the covenant will be an extraordinary assumption in the appraisal. Is this correct?

**Answer:**

a) Given the purpose of the appraisal (market value, with the title conditioned as the Director described), and intended use of the assignment results (provide the client with information for use in deciding an asking price), the appraisal must reflect an analysis as if the covenant was in place.

b) The appraisal of the property as though it had the covenant in place requires a hypothetical condition in the appraisal, because you know, as of the date of appraisal, that the property did not have the covenant in place (i.e., the covenant is "that which is contrary to what exists, but is supposed for the purpose of analysis").

If you did not know whether the covenant was or was not in place, but you based the appraisal on the covenant being in place, the appraisal would be based on an extraordinary assumption. This is because you would be presuming as fact otherwise uncertain information about the condition of title which, if found false, could alter your opinions or conclusions.

If, instead of saying there would be a covenant recorded after the date of appraisal, the Director provided a title document that said the covenant was already in place, the appraisal would not

involve either a hypothetical condition or an extraordinary assumption about that land use limitation. This is because the title condition used in the appraisal is its actual condition.

**Question:**

What does USPAP say about property flipping?

**Answer:**

The phrase "property flipping" or "a flip" is commonly used to describe the transfer of property where fraud is used to obtain inflated prices and loans.

It is important to note that "property flipping" is distinctly different than the usual activity of buying and selling property at a profit. The market for real estate is imperfect. Knowledgeable and honest parties seek opportunities to acquire a given property at a favorable price with the objective of reselling that property at a profit. Such activity does not constitute flipping as there is no intent to mislead or defraud.

*USPAP does not describe property flipping, itself, but it does prohibit appraisers from communicating assignment results in a fraudulent or misleading manner. The ETHICS RULE is explicit about any kind of activity designed to mislead or defraud -- as specified in the Conduct Section of the ETHICS RULE:*

An appraiser must perform assignments ethically and competently in accordance with these standards, and must not engage in criminal conduct.

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.

**Question:**

Since many flipping schemes rely on appraisals, what kinds of things should appraisers look for to avoid being entangled, inadvertently in such schemes?

**Answer:**

There are a number of actions appraisers can take to safeguard against over-valuations. Standards Rule 1-5 requires that appraisers analyze any current Agreement of Sale option or listing of the property when such information is available. Many lenders require that Agreements of Sale be

provided to the appraiser for their review and analysis. Sometimes the second or third leg of a flip can be discovered when the seller in the sale agreement is not the owner of record. Verification of the terms of sale with brokers may also reveal multiple transactions on the same property.

Experienced appraisers can recognize anomalies in the market and will avoid relying on sales that do not reflect the prevailing market. If an appraiser is asked to value a property in area that is unfamiliar to them they should become familiar with the area and the market for the subject property. The Comment to the COMPETENCY RULE states the following;

The concept of competency also extends to appraisers who are requested or required to travel to geographic areas wherein they have no recent appraisal experience. An appraiser preparing an appraisal in an unfamiliar location must spend sufficient time to understand the nuances of the local market and the supply and demand factors relating to the specific property type and the location involved.

Standards Rule 1-4 requires the appraiser to collect, verify and analyze information applicable to the appraisal problem. Knowing the conditions of sale, financing and motivations of the buyer helps the appraiser to adjust sales to the market and avoid the affects of inflated prices.

Standards Rule 1-2(e) requires that the appraiser identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal including the its location physical, legal and economic attributed. Knowledge of these attributes plays a critical role in the valuation process. Appraisers should exercise care in identifying these attributes noting any adverse condition which could impact the property's value.

**Question:**

Is there anything I can put into a report that would protect me from being entangled in a flipping scheme?

**Answer:**

There are safeguards in USPAP that pertain to reporting as well. It is good to review the first principle in al the reporting standards of USPAP: to clearly and accurately set forth the appraisal in a manner that will not be misleading. Providing candid and appropriate disclo-

tures in the report serves to limit the appraiser's liability and inform the client of important issues that qualify the conditions of the appraisal.

Standards Rule 2-2(a-c)(ix) is a good example of where appropriate disclosures help appraisers avoid costly mistakes and subsequent criticism.

When the purpose of an assignment is to develop an opinion of market value, a summary of the results of analyzing the information required in Standards Rule 1-5 is required. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

This Standards Rule requires that the appraiser disclose significant information specified in Standards Rule 1-5 if it is available or what steps were taken to obtain the information in the event that it was not obtained. The first type of disclosure protects the appraiser from over-valuation when the information is available and the second, if addressed properly, should convince third parties that the performance of the assignment.

**Question:**

Is the supervisory appraiser who signs an appraisal report that was developed for use in a property flipping transaction, responsible for the appraisal and contents of the appraisal report?

**Answer:**

Yes, Standards Rule 2-5 states: "An appraiser who signs a real property prepared by another in any capacity accepts full responsibility for the appraisal and the contents of the appraisal report."

**Question:**

A lender has requested an appraisal for a home that is being purchased. Then, after the purchase, the lender said it will need an "updated" appraisal to reflect a refinance situation? Can I accept an "update" appraisal assignment of this nature? If so, what advice can you provide about what I need to do in the update process?

**Answer:**

USPAP allows appraisers to update previous appraisals of the same property. Advisory Opinion AO-3



specifically addresses updates. In this AO, it is recommended that the following conditions be met before accepting an update assignment:

1. The original appraiser/firm and client are involved.
2. The real estate has undergone no significant change since the original appraisal.
3. The time period between the effective date of the original appraisal (or most recent update) and the effective date of the pending update is not unreasonably long for the type of real estate involved.

In the situation you describe, it would appear that the above conditions would be met. In addition, you should be very clear about your role and your assignment. AO-3 recommends that you also specifically reference your original report, being careful to point out the date of that report and the effective date of that appraisal. This is to avoid a reader becoming confused when reading both reports. Further, you should take care to indicate any changes to the property or in the market that have occurred since the time of the original work, as recommended in AO-3.

USPAP does not, and cannot, address what would be an appropriate amount of time between the closing of a loan and the closing of a refinance of such loan. As long as the appraiser is not participating in what they know to be fraud or other illegal activity, he or she may take an assignment of this type.

**Question:**

Were there many changes in the new 2000 edition of USPAP? I'm a reviewer – has Standard 3 been revised?

**Answer:**

A number of revisions have been made in the USPAP 2000, including the ETHICS and COMPETENCY RULES, new definitions, STANDARDS 1, 2, 3, 7, 8, 9 and 10, several Statements, and the guidance provided in several Advisory Opinions. Every appraiser should take steps to learn about these as they may have an impact on his or her appraisal activities.

Several changes have been made to STANDARD 3, which addresses appraisal reviews. Some of these are briefly summarized as follows:

- Statement 1 has been retired, with the pertinent information incorporated into STANDARD 3.

- This standard now applies to personal property appraisal reviews, as well as real property appraisal reviews.

- The term "Review Appraiser" has been replaced with "Reviewer", and "Review Appraisal" with "Appraisal Review". These new terms should help avoid confusing implications, such as that an appraisal is always part of a review assignment.

- An appraisal review assignment can now include all, or part of, the work of another appraiser.

- The definition of "Review" in USPAP has been replaced with "Appraisal Review": *"the act or process of developing and communicating an opinion about the quality of another appraiser's work...."*

- The activities of the appraisal review function have been more clearly delineated between the reviewer providing an appraisal review opinion, alone, and providing that opinion plus his or her own opinion of value (i.e., an appraisal) when that is a second purpose within the same assignment.
- In order to satisfy the requirements of STANDARD 1 or 7 when a reviewer's opinion of value is required, a reviewer may extend into his or her own development process those portions of the original appraisal concluded to be credible and in compliance with STANDARD 1, based on an extraordinary assumption. Those items not deemed to be credible or in compliance must be replaced with information or analysis by the reviewer, developed in conformance with STANDARD 1 or 7, as applicable, to produce a credible value opinion.

- The reviewer's scope of work can be different from the scope of the original work under review.

- The reviewer may include his or her own value opinion within the appraisal review report itself without preparing a separate appraisal report. However, changes to the report content by the reviewer to support a separate value conclusion must match, at a minimum, the reporting requirements (Self-Contained, Summary or Restricted Use Appraisal Report) of the report under review.

The above summary is meant to highlight the changes and should not substitute for a thorough reading of STANDARD 3 itself. In addition, the ASB is currently preparing to expose for public comment a draft of a new Advisory Opinion to provide guidance on how a reviewer's opinion of value within an appraisal review assignment affects the scope of work in such an

assignment.

**Question:**

I am appraising an apartment complex which includes some personal property such as refrigerators, a lawn mower and several other pieces of maintenance equipment. If the complex sold, these items would sell with it, and all my comparable sales also include similar personal property and equipment. What do I have to do in order to comply with USPAP?

**Answer:**

Standards Rule 1-4 (g) of USPAP states:

"An appraiser must analyze the effect on value of any personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal.

Comment: Competency in personal property appraisal (see STANDARD 7) or business valuation (see STANDARD 9) may be required when it is necessary to allocate the overall value to the property components. A separate valuation, developed in compliance with the Standard pertinent to the type of property involved, is required when the value of a non-realty item or combination of such items is significant to the overall value."

You must first decide if, in your judgment, the personal property is significant to the overall value. If it is significant, you must develop a separate valuation accomplished in compliance with STANDARD 7. This value would be included in your report under the requirements of SR 2-2(a), (b), or (c) (ix).

If you decide the value of the personal property is not significant, a separate valuation is not required and there would be no specific reporting requirement. However, you must be clear in your report that your value conclusion includes the personal property.

Also note that this is a specific requirement from which departure is permitted. Thus, you may depart from SR 1-4 (g) and perform a limited appraisal by following the requirements in the DEPARTURE RULE of USPAP. These requirements include certain disclosures in the report.

### Question :

An attorney hired me to prepare an appraisal. He asked that I not prepare a report but rather discuss my conclusions with him orally. I have done that and he concluded that my opinion will not be helpful to his client and therefore does not want a written report. What are my obligations under USPAP in this situation?

### Answer:

USPAP allows appraisers to update previous appraisals of the same property. Advisory Opinion AO-3 specifically addresses updates.

Under the record keeping section of the Ethics Rule "An appraiser must prepare a work file for each assignment. The work file must include the name of the client and the identity, by name or type, of any other intended users; true copies of any written reports, documented on any type of media; *summaries of any oral reports or testimony*, or a transcript of testimony, *including the appraiser's signed and dated certification*; all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation." (*Italics = emphasis added*)

Clearly your reporting of your appraisal conclusions to the attorney is an oral report and a summary of such a report needs to be included in the work file. Also, "the appraiser's signed and dated certification."

### Question:

I am employed in the Business Valuation group of ABC CPA firm. A client requests a valuation, which is beyond the expertise of my group. I go to the Business Valuation Group of XYZ CPA firm where there is an appraiser with the requisite expertise to complete the assignment competently. Do I have any disclosure requirements under USPAP?

### Answer:

The Competency Rule requires that "Prior to accepting an assignment or entering into an agreement to perform an assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:

1. disclose the lack of knowledge and/or experience to the client before

accepting the assignment;  
2. take all steps necessary or appropriate to complete the assignment competently; and  
3. describe the lack of knowledge and or experience and the steps taken to complete the assignment competently in the report."

If the client engages the XYZ CPA firm, and you assist their appraiser who is competent, then no disclosure of your lack of knowledge or expertise is required.

However, if you are contracting with the client to perform the assignment, disclosure of your lack of knowledge or experience to the client before accepting the assignment is required. If the client is still willing to hire you, you must take all steps necessary or appropriate to complete the assignment competently. Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

## Disciplinary Action

During the calendar year 1999, the Commission received a total of 66 complaints. We are happy to report 62 complaints were resolved in the same year.

<b>Consent Orders</b> (May have included more than 1 disciplinary action)	<b>13</b>
<b>Agreed Orders</b> (May have included more than 1 disciplinary action)	<b>01</b>
<b>Letters of Warning, Caution, or Instruction</b>	<b>14</b>
<b>Dismissed or Closed with No Action</b>	<b>24</b>
<b>Refer to Other/Outside Agency</b>	<b>10</b>
<b>Total</b>	<b>62</b>

February 2000

**Russell Jay Collins, CG-1378 (expired)**  
**Nashville, TN**  
**Violations: T.C.A. 62-39-105(a) and 62-39-103(a)**  
**Consent Order: Pay \$1500 civil penalty and Cease and Desist**

## Five-Year USPAP Violation



It is your responsibility to take the USPAP course every five (5) years pursuant to Rule 1255-4-.01. A Consent Order, asking for a \$100 civil penalty, will be sent to those who have violated that rule.

Points to remember:

1. the information will not be published,
2. teaching the course will not suffice (the course must be taken in a classroom setting, successfully completing an examination),
3. the rule also applies to all out-of-state licensees,
4. the course must be taken within the specific five-year period, and
5. the course must be at least 15 hours with an examination.

Advance notice will not be given prior to the Order being sent; however, if the Order is sent and you submit proof of having taken the course within the required five year period, the Order **will be designated as invalid**. If you have any questions regarding the date that is reflected on your record, please do not hesitate to contact the office at (615) 741-1831.

## Correction

Commission member Daryl Nelkin's name was omitted from our list of members in the Winter newsletter. We regret this mistake and the staff offers our apologies to Ms. Nelkin.

**Tennessee Real Estate Appraiser Commission**  
**500 James Robertson Parkway**  
**Suite 620**  
**Nashville, TN 37243-1166**

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Tennessee Real Estate Appraiser Report  
is published quarterly by the  
Tennessee Real Estate Appraiser Commission

**Members of the Commission:**

**William J. Blackburn, Chairman**  
**Morristown**

**Gary Standifer, Vice Chairman**  
**Brentwood**

**Paul Sampson, Appraiser Member**  
**Johnson City**

**Donald Turner, Appraiser Member**  
**Nashville**

**Robert Sain, Appraiser Member**  
**Bolivar**

**Polly A. Dyer, Appraiser Member**  
**Bon Aqua**

**Dr. Reginald Peyton, Public Member**  
**Memphis**

**Daryl Nelkin, Public Member**  
**Sevierville**

**STAFF MEMBERS**

**Sandra S. Moore**

Administrative Director

**Janice Williams**

Administrative Assistant RB1

**Andrea Woodruff-Fenwick**

Administrative Assistant RB1

**Angela Smith**

Licensing Technician

**Commission Meeting**  
**Dates for 2000**

**May 15**

**Room 160**

**June 19**

**Room 160**

**July 17**

**Room 140**

**August 21**

**Room 140**

**September 18**

**Room 160**

**October 16**

**Room 160**

**November 13**

**Room 160**

**December 11**

**Room 160**



Unless otherwise noted, the Commission meetings are scheduled to be held at 500 James Robertson Parkway, Nashville, Tennessee. Meetings start at 9:00 a.m. The public is invited to attend. Please call the Commission office to verify that the meeting will be held on the date scheduled.

"The Tennessee Department of Commerce and Insurance is committed to principles of equal opportunity, equal access, and affirmative action." Contact the EEO Coordinator or ADA Coordinator (615) 741-0481, for TDD (615) 741-7190.

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